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March 2, 2001

Credit Suisse First Boston Corporation
11 Madison Avenue, 23rd Floor
New York, NY 10010-3629

Attention: Benjamin C. Adams, Director

Dear Mr. Adams:

On behalf of WellPoint Health Networks Inc. ("WellPoint"), I am pleased to provide WellPoint's response and proposal as requested in your letter dated February 20, 2001 regarding a potential transaction with CareFirst, Inc. ("CareFirst"). WellPoint believes that a combination of these two dynamic companies, with their shared Blue backgrounds and complementary strengths, would result in a successful transaction that is beneficial to all of the constituent groups of both parties.

In response to the numbered items in your letter, WellPoint provides the following:

1. Credit Suisse First Boston or CareFirst should contact the following persons when responding to the transaction proposal made in this letter:

Carol J. Burt
Robert D. Glaser
WellPoint Health Networks Inc.
1 WellPoint Way
Thousand Oaks, California 91362
Telephone: (805) 557-6060
Facsimile: (805) 557-6822

2. WellPoint proposes a transaction involving CareFirst with an aggregate value of at least \$1.2 billion (less assumed indebtedness, if any). The final purchase price would be increased by four times the amount by which CareFirst's earnings before

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interest and taxes ("EBIT") exceed \$117 million (an amount equal to CareFirst's 2001 budget) during the most recently ended four-quarter period prior to the closing. For these purposes, EBIT would exclude net investment gains or losses. The aggregate purchase price for the transaction would not exceed a maximum of \$2.0 billion dollars.

3. The cash portion of the merger consideration would be a minimum of \$400 million. The cash portion of WellPoint's proposal would be provided by WellPoint's cash on hand, borrowings under WellPoint's then-existing credit facility or other public or private financing sources. The stock portion of the consideration would consist of newly issued shares of WellPoint Common Stock or shares previously acquired that are then held as treasury stock.

4. WellPoint proposes that the exchange ratio for the stock component of the merger consideration would automatically adjust so that the aggregate value of the stock component would remain unchanged as long as WellPoint's Common Stock remained above \$80 per share. In order to provide liquidity to the charitable organizations that would receive the consideration, WellPoint would be willing to grant customary registration rights that would be in effect during the period that the stock portion of the merger consideration would be subject to resale limitations as a result of Rule 144 promulgated under the Securities Act 1933.

5. Attached to this letter is a mark-up of the draft Merger Agreement that was provided with your letter.

6. The enclosed mark-up of the draft Merger Agreement provides for the terms and conditions of a proposed transaction. WellPoint's Board of Directors has been informed of this transaction and is highly supportive. The Board of Directors' approval would have to be received prior to the execution of a definitive Merger Agreement. The signing of a definitive agreement would also be subject to satisfactory completion of the due diligence referenced in paragraph 8 below and to negotiation of a mutually acceptable agreement. Closing conditions would include receipt of the necessary regulatory and shareholder approvals, continued accuracy of each party's representations and warranties and the absence of any material adverse change in CareFirst's business or operations. WellPoint would also like to explore a variety of collaborative activities between our two companies during the pre-closing period, such as the licensing of WellPoint's executive information system to CareFirst and CareFirst's participation in WellPoint's online procurement cooperative.

7. The key issues identified in item 7 of your letter are complex, dependent upon many factors and variables, and have been the subject of detailed discussion by the senior executives of WellPoint and CareFirst. Our overarching approach to those issues is as follows:

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- We would not expect to alter the location of CareFirst corporate headquarters or corporate name. It will be important to preserve and capitalize upon the equity built in CareFirst's brand name and, initially, WellPoint would expect to continue to use CareFirst's brand in its existing service areas. The long-term use of CareFirst's brand name would be the subject of a post-closing study to be undertaken by the combined company's marketing personnel.
- With regard to governance issues, upon closing we would add a member of the existing CareFirst Board of Directors to WellPoint's Board. WellPoint would also want a continuing role for existing directors of CareFirst and of the Maryland, District of Columbia and Delaware subsidiaries in their governance process. WellPoint's Blue Cross of California subsidiary currently relies on a number of paid advisory boards to provide us with feedback on public policy and other significant matters relating to plan operations and we would anticipate adopting a similar structure for the CareFirst boards. Locally, for each of CareFirst's licensed subsidiaries, WellPoint would anticipate establishing one local advisory board and two important provider committees. The advisory board could be drawn from the existing CareFirst and subsidiary boards and would focus generally on member issues. The additional advisory committees would address local hospital and physician concerns and would be comprised of hospital administrators and physicians, respectively.
- With regard to organizational and employment matters, CareFirst and its subsidiaries would continue to operate as geographically focused Blue plans with their own management that would effectively apply market segmentation approaches to optimize their operating and marketing potential.
- Insofar as relationships with providers go, a key goal for WellPoint is improving the quality of relationships with providers and we would anticipate applying that principle to the providers served by CareFirst. In addition, we do not envision any material change or a material disruption in the continued service of the primary market segments that CareFirst plans to serve as part of its long-term strategy.
- Based on our due diligence review, we do not envision material disruptions or changes in the size or location of the CareFirst workforce. We anticipate maintaining a substantial presence of employees and facilities in Maryland, the District of Columbia and Delaware, consistent with the combined company's operational needs over time.
- CareFirst's management would have responsibility for a WellPoint eastern region initially constituted to reflect the size and market presence of the CareFirst organization. Congress management's responsibility would include

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integration of Blue-branded activities in the eastern region and further supplementing the Blue brand through additional business combinations. Over time, these responsibilities could be expanded.

8. Attached to this letter is a listing of the additional confirmatory due diligence that WellPoint would like to conduct and the documents that WellPoint would like to receive prior to the signing of a definitive Merger Agreement.

9. WellPoint is prepared to devote the necessary resources in order to execute a definitive agreement as soon as possible. With that in mind, WellPoint would recommend that confirmatory due diligence and negotiation of the definitive Merger Agreement occur simultaneously. WellPoint anticipates that its confirmatory due diligence could be completed in as little as three weeks, with the execution of the definitive Merger Agreement soon thereafter. In addition to the various regulatory approvals that are outlined in the draft Merger Agreement, depending upon the stock component of the merger consideration, WellPoint may need to seek stockholder approval of the transaction. However, given the expected lead time necessary for obtaining regulatory approval, WellPoint does not believe that any stockholder approval necessary would slow completion of the transaction. WellPoint is committed to seeing the transaction through to a successful completion as quickly as possible.

We would like to reiterate our interest in a combination of our two companies. We look forward to working expeditiously towards the execution of a definitive agreement on the bases set forth in this proposal.

Very truly yours,



Leonard D. Schaeffer

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